



MARYLAND Department of Health

Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Robert R. Neall, Secretary

August 6, 2018

The Honorable Larry Hogan
Governor
100 State Circle
Annapolis, MD 21401-1925

The Honorable Thomas V. Mike Miller, Jr.
President of the Senate
H-107 State House
100 State Circle
Annapolis, MD 21401-1925

The Honorable Michael E. Busch
Speaker of the House of Delegates
H-101 State House
100 State Circle
Annapolis, MD 21401-1925

RE: HB 489 (Ch. 321 of the Acts of 2016) and Health – General §15-1005(a) – Senior Prescription Drug Assistance Program Annual Report – 2017 Program Year

Dear Governor Hogan, President Miller and Speaker Busch:

In accordance with Health – General §15-1005(a), enclosed is the annual report of the Maryland Senior Prescription Drug Assistance Program for the 2017 program year. The report summarizes program activities and provides enrollment and benefits statistics. The Department is pleased to continue administration of this vital program.

If further information about this program is needed, please contact Webster Ye, Deputy Chief of Staff, at (410) 767-6481 or webster.ye@maryland.gov.

Sincerely,

Robert R. Neall
Secretary



MARYLAND
Department of Health

Senior Prescription Drug Assistance Program

Annual Report

Program Year: January-December 2017

MARYLAND DEPARTMENT OF HEALTH
SENIOR PRESCRIPTION DRUG ASSISTANCE PROGRAM

**Executive Summary – Senior Prescription Drug Assistance Program (SPDAP) –
CY2017 Annual Report**

SPDAP works closely with the Maryland Department of Aging and other entities serving the senior population to ensure that Maryland seniors are aware of the benefits that may be available through the Program and to provide assistance to applicants with the application process. Major program highlights include:

- 1. Enrollment** – SPDAP enrollment was 28,617 members as of 12/31/17. This represents an enrollment increase of 0.4% since 12/31/16, when enrollment was 28,557. Membership distribution was spread across 16 plans. The highest distribution of members was in United Healthcare plans (23.8%). Baltimore County had a high concentration of members (5,590), with Baltimore City coming in second with 3,246 members.
- 2. Member Benefits:**
 - a. Premium Subsidy** – During CY2017, SPDAP members were eligible for a premium subsidy to help offset their Medicare Part D Prescription Drug Plan premium costs. The premium subsidy was limited to maximum of \$40 per member per month. SPDAP made premium subsidy payments of \$11.2 million during CY2017.
 - b. Coverage Gap Subsidy** – During CY2017, SPDAP members were eligible for a coverage gap subsidy to help offset their Medicare Part D Prescription Drug Plan costs they incurred while in the coverage gap (Donut Hole). The Coverage Gap subsidy was limited to a maximum of \$1,000 per member per year. The SPDAP made coverage gap payments of \$2.7 million during CY2017.
- 3. Funding:**
 - a. Premium Subsidy** – CareFirst is required to fund SPDAP in order for CareFirst to earn its premium tax exemption as a nonprofit health service plan under §14-106(d)(1)(iii) of the Insurance Article. The amount of funding provided may not exceed \$14 million for fiscal years 2008-2025.
 - b.** In August of 2017, CareFirst informed MDH that it would not be required to provide the funding for the 2018 coverage gap subsidy.
- 4. Administration** – MDH contracts with Pool Administrators, Inc. (PAI) to administer SPDAP. Administrative fees paid to PAI during CY2017 totaled \$1.3 million.
- 5. Outreach** – SPDAP continues to coordinate with the Department of Aging to provide State Health Insurance Program (SHIP) coordinators and volunteer counselors with information regarding the program. The SPDAP maintains a call center and website to answer member and prospective member questions throughout the year. During CY2017, the Program’s call center received 18,822 calls and the website had 10,271 visitors.

Legislation – During the 2018 session, HB 1766/SB 1208 was introduced to extend the sunset date of the program from 12/31/19 to 12/31/24 and extend the period of time during which CareFirst is required to provide funding to SPDAP in the amount of \$14 million through FY2025. The bill was approved by the House and Senate and signed into law by Governor Hogan (Ch. 462 of the Acts of 2018).

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SENIOR PRESCRIPTION DRUG ASSISTANCE PROGRAM

INTRODUCTION

In accordance with §15-1005(a) of the Health Article, MDH is required to annually submit a report to the Governor and, in accordance with §2-1246 of the State Government Article, to the General Assembly that includes a summary of Program activities for the year and any recommendations for consideration by the General Assembly.

DESCRIPTION OF THE SENIOR PRESCRIPTION DRUG ASSISTANCE PROGRAM

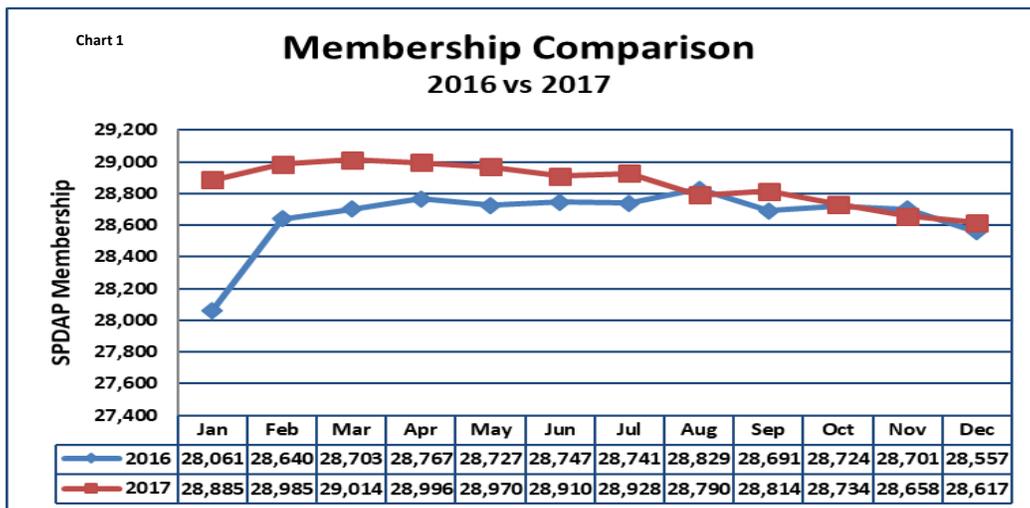
Eligibility Requirements

To be eligible to enroll in the SPDAP, an individual must:

- Be a resident of Maryland;
- Be a Medicare beneficiary enrolled in the Medicare Part D Voluntary Prescription Drug Benefit Program or a Medicare Advantage Plan that provides Part D coverage;
- Have an annual household income at or below 300 percent of the Federal Poverty Guidelines;
- Not be enrolled in a health benefit plan, other than a Medicare Part PDP or a MA-PD, that provides prescription drug benefits at the time the individual applies for enrollment in the SPDAP; and
- Not be eligible for a full federal low-income subsidy under 42 C.F.R. §423.772.

Enrollment

As of December 2017, total SPDAP enrollment was 28,617 members. This represents an enrollment increase of 0.4% since December 2016 when enrollment was 28,557 members.



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There were 3,406 members terminated from the Program during CY2016. This was mainly due to members becoming eligible for the full (100%) Federal Low-Income Subsidy (LIS) or Extra Help, members becoming eligible for Medicaid in addition to Medicare Part D (Dual Eligible), members moving out-of-state and on the occasion of the member's death.

Chart 2 provides statistics for the SPDAP membership distribution by plan in Maryland for December 2017:

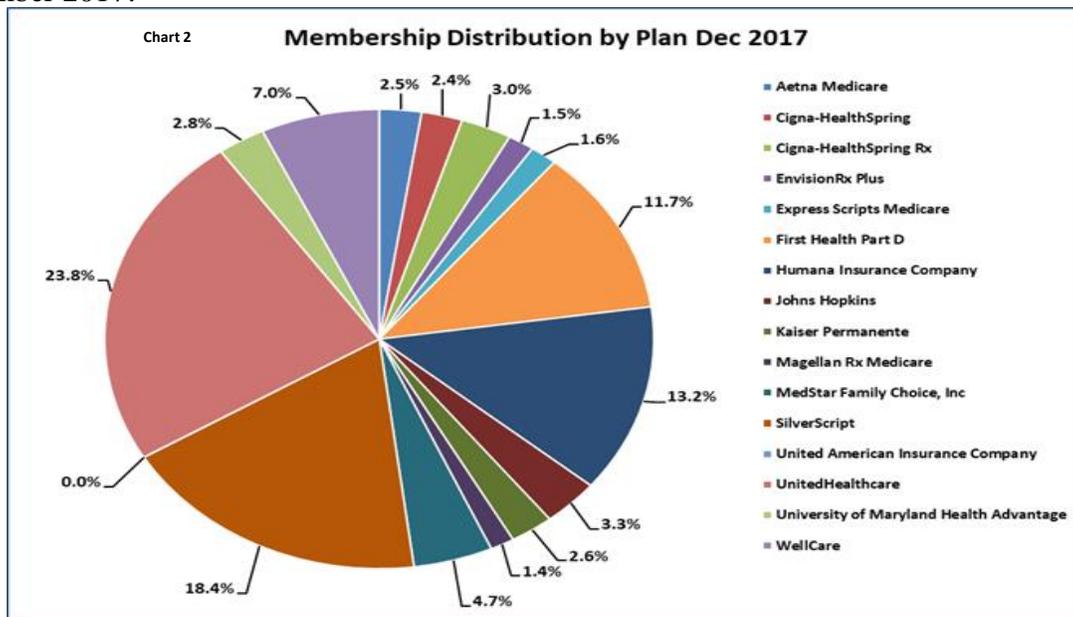
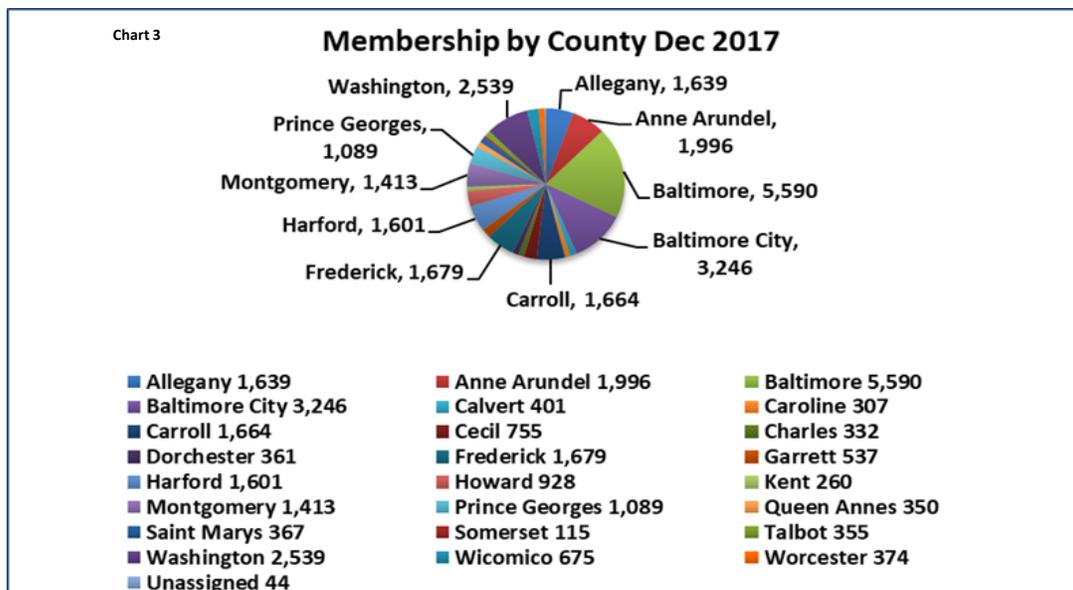


Chart 3 shows the SPDAP membership distribution by county in Maryland for December 2017:



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SENIOR PRESCRIPTION DRUG ASSISTANCE PROGRAM

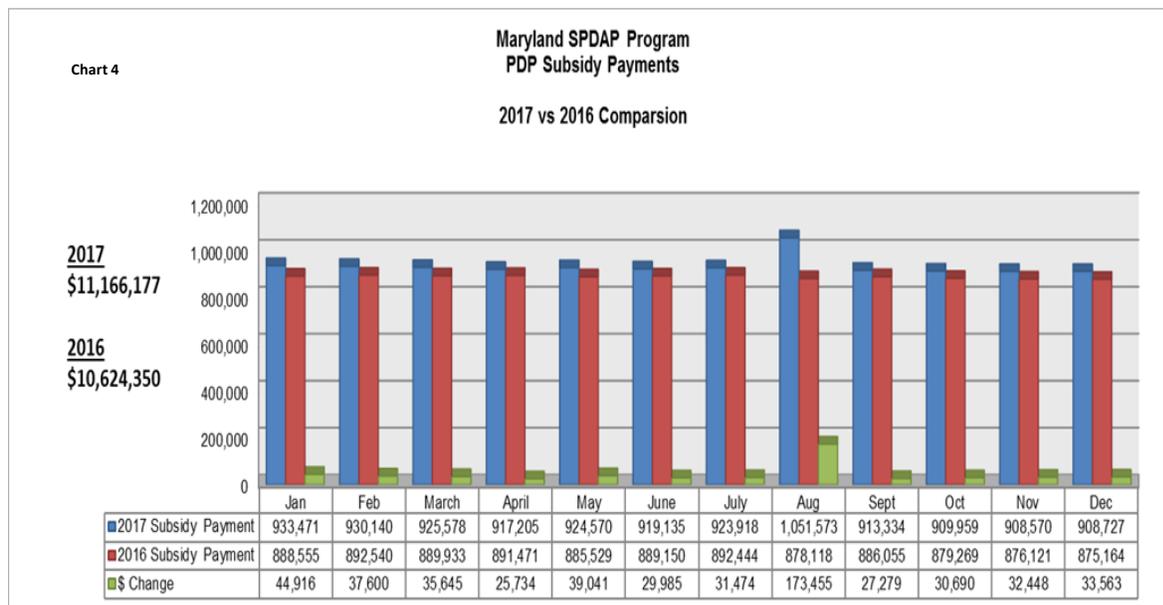
Member Benefits

Premium Subsidy

The SPDAP provides a prescription drug benefit subsidy, which was determined by MDH for CY2017, which may pay all or some of the premiums for Federal Medicare Part D prescription drug coverage. Medicare Prescription Drug Program rate information for Maryland is determined by the Centers for Medicare and Medicaid Services (CMS). During CY2017, the SPDAP provided a premium subsidy of up to \$40 per month for any member who was enrolled in any Medicare approved PDP or MA-PD in the state of Maryland.

For CY2018, MDH made the determination to continue providing a premium subsidy of up to \$40 per month to eligible Maryland residents enrolled in the SPDAP. If a member is eligible for a partial federal low-income subsidy, the SPDAP subsidy is offset by the federal low-income subsidy.

2017 Amount Paid to PDPs for Subsidy Payment for Current and Prior Years



CY2016 Coverage Gap Subsidy Benefit

Because MHIP was able to come to an agreement to administer the original 2016 SPDAP Coverage Gap subsidy with only one carrier, Cigna-HealthSpring – Contract ID H2108, in April 2016, with input from MHIP staff, MHIP Board of Directors approved a modification to the Coverage Gap Subsidy benefit methodology for all carriers excluding Cigna-HealthSpring – Contract ID H2108. The benefits offered under the original CY2016 Coverage Gap subsidy being administered by Cigna-HealthSpring – Contract ID H2108 were more generous than those offered under the new CY2016 Coverage Gap subsidy.

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Specifically, the Board of Directors approved providing a coverage gap subsidy for prescription drug costs incurred in the Medicare Part D Coverage Gap to all SPDAP members. The Coverage Gap Subsidy benefit would be limited to a maximum of \$600 for CY2016. These changes were implemented for CY2016 prescription drug costs members incurred while in the Medicare Part D Coverage Gap.

CY2017 Coverage Gap Subsidy Benefit

For CY2017, MDH made the determination to provide a coverage gap subsidy limited to a maximum of \$1,000 to eligible Maryland residents enrolled in SPDAP.

CY2017 Coverage Gap Subsidy Payments

Included in the chart below are the amounts reimbursed to the PDPs and SPDAP members in CY2017.

PDP/SPDP Members	Subsidy Year	Total Amount Paid Including Administration Fee
Bravo	2016	\$197,007.70
Bravo	2015	\$258,451.67
WellCare	2014	\$1,508,519.62
SPDAP Members	2016	\$767,389.58
Total		\$2,731,368.57

Funding of Senior Prescription Drug Assistance Program

In General

CareFirst is required to fund SPDAP in order for CareFirst to earn its premium tax exemption as a nonprofit health service plan under §14-106(d)(1)(iii). Under §14-106(e)(2) and (3) of the Insurance Article, the amount of funding provided by CareFirst may not exceed \$14 million for fiscal years 2008 through fiscal year 2025, and, for any other year, the amount of CareFirst’s premium tax exemption.

Funding for Coverage Gap Subsidy

HB 1766/SB 1208, introduced and approved by the House and Senate during the 2018 legislative session, repealed §14-106.2 of the Article – Insurance which had required that if CareFirst had a surplus that exceeded 800% of its consolidated risk-based capital requirements in the immediately preceding calendar year, then, CareFirst would be required to transfer to SPDAP \$4 million to provide additional funding necessary to allow SPDAP to subsidize prescription drug costs incurred by SPDAP members in the Medicare Part D coverage gap. In August of 2017, CareFirst informed MDH that it did not exceed 800% of its consolidated risk-based capital requirements for CY2016 and that they would not be providing the funding for the 2018 Coverage Gap Subsidy.

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Administration of Senior Prescription Drug Assistance Program

The Board of Directors for MHIP was required to contract with a third party to administer SPDAP. The functions performed by the third-party administrator include:

- processing applications and determining eligibility of applicants for SPDAP;
- enrolling eligible applicants in SPDAP and sending denial letters to ineligible applicants;
- considering eligibility appeals;
- conducting an annual re-certification of SPDAP members;
- processing and reconciling monthly premium subsidy payments to PDPs;
- reconciling SPDAP membership to CMS enrollment and eligibility files; and
- providing data collection, analysis, financial tracking and reporting as required by law or by MHIP.

In October 2007, the MHIP Board of Directors selected Pool Administrators, Inc. (PAI) as the SPDAP administrator. MHIP entered into a contract with PAI that took effect on January 1, 2008 and had a term of two years. MHIP had the option to extend the contract for successive terms of one year.

- In December 2009, MHIP extended the term of the agreement with PAI for another year, through December 31, 2010.
- In December 2010, MHIP amended the agreement with PAI and extended the term of the agreement for another two (2) years, through December 31, 2012.
- In October 2012, MHIP amended the agreement with PAI and extended the term of the agreement for another two (2) years, through December 31, 2014.
- In August 2014, MHIP amended the agreement with PAI and extended the term of the agreement for another two (2) years, through December 31, 2016.
- In June 2016, upon request from MDH, the MHIP Board of Directors extended the term of the agreement with PAI for an additional three (3) years, through December 31, 2019. Effective July 1, 2016, MDH became the entity required to contract with a third party to administer the SPDAP.

MDH is currently in the process of constructing a Request for Proposal (RFP) for solicitations to administer SPDAP beyond December 31, 2019.

2017 Amounts Paid for Administrative Fees and Postage

Invoices	Total amounts
TPA Administrative Fees	\$ 1,308,156.43
Postage	\$69,956.54
PDP Administrative Fees	\$118,756.31
Total	<u>\$1,496,869.28</u>

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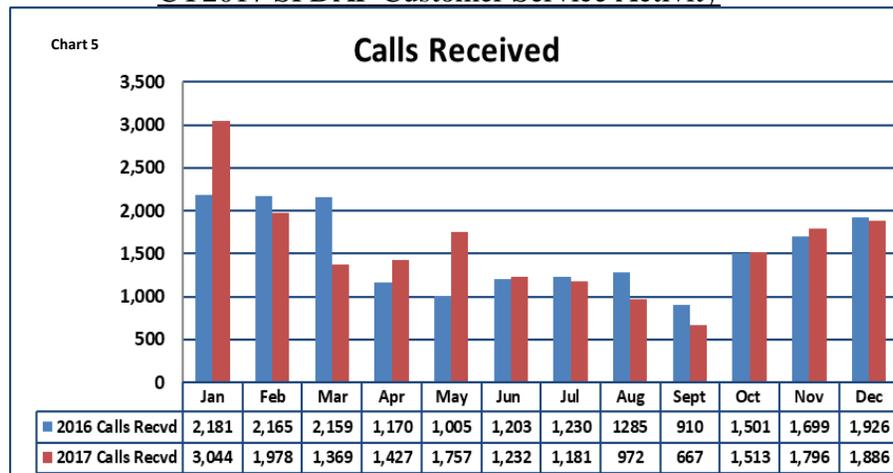
Outreach

Each October, prior to Medicare Part D open enrollment, all active SPDAP members are mailed the list of eligible Medicare Part D prescription plans for the State of Maryland notating which plans will be administering the Coverage Gap Subsidy to assist the member in choosing their Medicare Part D prescription drug coverage for the upcoming year.

SPDAP also maintains a call center and website to answer member and prospective member questions throughout the year. Call Center assistance is available toll free at (800) 551-5995, Monday through Friday, from 8 a.m. to 5 p.m. Extensive information regarding SPDAP is available at www.marylandspdap.com, including the application form and a list of Medicare PDPs in Maryland.

SPDAP also coordinates with the Department of Aging to provide the State Health Insurance Program (SHIP) Coordinators and volunteer counselors with information regarding SPDAP, the upcoming year premium subsidy benefit levels and the upcoming year coverage gap subsidy benefit levels. SPDAP also instructs the SHIP Coordinators and volunteer counselors on how they may assist Maryland seniors in applying for SPDAP.

CY2017 SPDAP Customer Service Activity



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CY2017 SPDAP Website Statistics



Legislative Activities

SPDAP staff:

- represent the MDH before the Governor’s Legislative Office, the Maryland General Assembly, the Maryland congressional delegation, and legislative work groups and task forces;
- work with MDH staff and the Governor’s Legislative Office to develop departmental legislation;
- monitor bills introduced in the General Assembly that affect SPDAP and work with the MDH to develop positions on the bills;
- prepare fiscal estimates for all bills that have a fiscal impact on SPDAP; and
- evaluate passed bills that affect the SPDAP for possible veto by the Governor.

During the 2018 legislative session, HB 1766/SB 1208 was introduced to extend the sunset date of SPDAP from December 31, 2019 to December 31, 2024 and also extend the period of time during which a nonprofit health service plan (CareFirst) is required to provide to the SPDAP the subsidy required under §14-106(d)(1)(iii) in the amount of \$14 million through FY2025. The bill was approved by the House and Senate and signed into law by Governor Hogan (Ch. 462 of the Acts of 2018).

Conclusion

SPDAP continues to provide vital resources for low-to-middle income Maryland seniors. SPDAP will continue to work closely with the Maryland Department of Aging, and other entities serving the senior population, to ensure eligible Maryland seniors are aware of the benefits that may be available through the program and to provide assistance to applicants with the application process.

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APPENDIX A – SPDAP PROGRAM HISTORY

2002 - The Senior Prescription Drug Program (“SPDP”) was created by the Health Insurance Safety Net Act of 2002 (Chapter 153, Acts of 2002), and replaced the Short-Term Prescription Drug Subsidy Plan. The Board of Directors for the Maryland Health Insurance Plan (“MHIP”) were given the responsibility for overseeing SPDP. The purpose of SPDP was to provide prescription drug coverage to Medicare beneficiaries who lacked prescription drug coverage.

2003 - The Health Insurance Safety Net Act of 2002 provided that SPDP would terminate if comparable prescription drug benefits became available through Medicare under Title XVIII of the Social Security Act. On December 8, 2003, President Bush signed into law the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. Under that Act, prescription drug benefits became available through Medicare Part D beginning on January 1, 2006.

2005 - Legislation was passed by the Maryland General Assembly and signed into law by Governor Ehrlich that re-named and re-established SPDP as the Senior Prescription Drug Assistance Program (“SPDAP”). (See Chapters 281 and 282 of the Acts of 2005.) The legislation provided that the purpose of SPDAP is to provide Medicare Part D beneficiaries who meet program eligibility requirements with a State subsidy for a portion of their premiums and deductibles for prescription drug benefits under Medicare Part D.

2006 - Additional legislation was passed and signed into law that allows SPDAP to subsidize eligible beneficiaries’ co-payments and co-insurance, in addition to their premiums and deductibles (see Chapter 345 of the Acts of 2006).

2007 - SPDAP was further modified by legislation that authorizes SPDAP to limit payment of any benefit subsidy by paying the benefit subsidy on behalf of only eligible individuals enrolled in a Medicare Part D prescription drug plan (PDP) or a Medicare Advantage Plan (MA-PD) that coordinates with the SPDAP in accordance with federal requirements (see Chapters 508 and 509 of the Acts of 2007).

2016 - During the 2016 legislative session, HB 489 was introduced to dissolve MHIP effective June 30, 2016. This legislation also proposed the transfer of the duties, responsibilities and funding of SPDAP from MHIP to MDH as of July 1, 2016 and extend the termination date of SPDAP through December 31, 2019. HB 489 was approved by the House and Senate and signed into law by Governor Hogan (Chapter 321 of the Acts of 2016).

2018 - During the 2018 legislative session, HB 1766/SB 1208 was introduced extending the sunset date of the SPDAP from December 31, 2019 to December 31, 2024 and also extending the period of time during which CareFirst is required to provide to SPDAP the funding required under §14-106(d)(1)(iii) in the amount of \$14 million through FY2025.